



DEPARTMENT OF NATURAL RESOURCES
COMMISSION POLICY
FOR NONMETALLIC MINERALS ON STATE LANDS
2309

PREAMBLE:

The State of Michigan owns over 3.8 million acres of combined surface and mineral rights, and an additional 2.1 million acres of mineral rights only. In addition, the state owns 25 million acres of Great Lakes bottomlands. Under the provisions of Act 17, P.A. 1921, as amended, and Act 280, P.A. 1909, as amended, the Natural Resources Commission is responsible for managing these lands and mineral resources to ensure protection and enhancement of the public trust. In this context, the following policy statements provide the framework for development of nonmetallic mineral resources on state-owned lands.

GENERAL POLICY:

It shall be the policy of the Natural Resources Commission (Commission) to provide for orderly development of state-owned nonmetallic mineral resources, to encourage the private sector rather than the state to risk capital in development, and to optimize revenue from state-owned nonmetallic minerals consistent with other natural resource management objectives, and to provide for regular and systematic review of the nonmetallic mineral leasing program.

Nonmetallic mineral leasing and development on public lands shall be established in a manner to assure optimum economic return to the state, competition for the acquisition of leases, and protection of the environmental, recreational and other uses of the land, including lake bottomlands and connecting bays, harbors and waterways.

SPECIFIC POLICY:

I. Applications to Offer State Lands at Public Auction

Lands may be nominated for leasing by the Department of Natural Resources (Department), or by qualified parties. The Commission shall establish a processing fee to be paid by each applicant when requesting state lands to be offered at public auction.

II. Field Review for Classification of Lands Nominated for Leasing

All lands nominated for leasing shall be thoroughly reviewed by the Department for classification as either leasable, leasable with restrictions, or nonleasable in order to assure proper protection of lands having unique surface values or other areas of special environmental or unusual natural resource values.

The nonleasable classification shall apply to lands in the following categories, and to other lands designated by the Commission:

Dedicated Natural and Wilderness Areas

State Parks

Areas of special environmental or unusual resource values or recreational lands as determined by the Department of Natural Resources. Such areas may be, but are not necessarily, indicated by the presence of wetlands, rare or endangered species, historical or archaeological features, designated sand dunes, designated shoreline environmental or high risk erosion areas, inland lakes and streams, or other natural features. Such areas may also be undedicated state land that has unusual value other than the above, based on site specific written documentation.

The conclusions and recommendations of the Department as to the appropriate classification shall be based on an evaluation of the effects nonmetallic mineral exploration and potential development would have on current and future uses of lands, (including other development of metallic minerals and/or oil and gas from these lands), and shall be recorded on a field report form signed by the appropriate land managers – including Forest Management, Wildlife, Parks and Fisheries – and others involved in the field review process. Final field recommendations shall be made and submitted by the Regional Director. All classifications are subject to Commission approval.

III. Public Review of Proposed Classification of Lands Considered for Leasing

The Department shall publish a notice of proposed classifications of lands considered for leasing and provide the public adequate opportunity to review and comment on the classification of the lands. In the event anyone disagrees with the proposed classification of any description, that person shall have the opportunity to appear before the Commission to request a change in the recommended classification. The classification of any description shall be determined by the Commission.

IV. Change of Classification

The classification of any land under public review may be reclassified by the Commission, upon submission of additional information, based on field review conducted by the Department following receipt of requests for reclassification, and on additional information submitted by the applicant. The Department will notify interested parties of the request for change of classification at the same time field review is requested.

If the Commission determines that a classification is no longer applicable, the land may be reclassified.

Any proposed change of classification shall be on the regular printed agenda of the Commission.

V. Public Notice of Scheduled Lease Sales

The Department shall publish a notice of all scheduled lease sales for the purpose of promoting interest and participation in the lease sales.

VI. Public Auction Lease Sales

The Commission may approve offering of lease rights at public auction. Lease sales may be scheduled, subject to demand, with a minimum of one per year as a goal. The Department shall conduct market studies for the purpose of gathering information to aid in developing sales strategies, analyzing sale results, and optimizing economic return to the state.

The Commission may authorize alternative auction methods.

Bids may be rejected by the Commission when it has been determined that the successful bidder has failed to maintain good credit, has failed to pay the total bid at time of sale, is in violation of the rules of the terms of state leases previously acquired, or for any other stated reason.

VII. Direct Lease Sales

The Commission may enter into direct leases (1) when it is determined to be in the best interest of the state, (2) for completion of a mining operation area, or (3) for consolidation of fractional interests owned or controlled by the applicant. Direct lease sales shall follow the same applicable public notice requirements as for public auction lease sales.

VIII. Lease Terms

Public Auction Leases:

Except as hereafter provided, the following standard terms shall apply to leases on lands offered at public auction:

A primary term of 10 years and as to those portions of the leased premises included within a mining operation area, so long thereafter as there is production of minerals and/or mineral products in paying quantities.

Rental of \$3 per acre per year for the first through fifth year. All rental shall be paid annually in advance of the anniversary date of the lease.

Minimum royalty of \$10 per acre for the sixth year of the lease, and for each year thereafter the payment shall increase an additional \$5 per acre through the tenth year. For the tenth year of the lease and thereafter for the life of the lease, the minimum royalty shall be \$30 per acre per year. All minimum royalty shall be paid annually in advance of the anniversary date of the lease.

LESSEE shall pay to LESSOR a production royalty for the nonmetallic minerals and/or nonmetallic mineral products produced and sold from the leases premises which shall be the product of:

- (1) the sales value, as defined in the lease, of nonmetallic minerals and/or nonmetallic mineral products sold during the past calendar quarter; and
- (2) the production royalty rate according to the following schedules:

(a) Salt

Type of Salt and Mining Method	In Bulk	Processed
Rock Salt (NaCL – halite)		
- conventional mining	2.0%	n/a
Sodium Chloride		
- solution mining	(in solution)	(evaporated salt)

(b) Other Nonmetallics

- Specified		
Material	In Bulk	Processed
Coal	7.0%	n/a
Clay, Marl, Shale	5.0%	n/a
Gypsum	5.0%	n/a
Limestone, Dolomite	5.0%	n/a
Industrial Sand	7.0%	n/a
Construction Sand, Gravel	5.0%	n/a
Sandstone	5.0%	n/a
Stone (crushed, dimension)	5.0%	n/a

(c) Other Nonmetallics

- Not Specified

The royalty rate for all other nonmetallic minerals and/or nonmetallic mineral products shall be negotiated on a case-by-case basis and mutually agreed to by LESSOR and LESSEE.

Direct Leases:

No direct lease shall be authorized which provides for less than the standard royalty or rental rates, or for a lease term longer than those prevailing in state leases offered at public auction at the time the direct lease is approved.

IX. Lease Performance Bond

A lease performance bond shall be required of each lessee of state nonmetallic mineral lease rights unless waived by the Commission, in order to assure faithful compliance with the terms and conditions of the lease. The Commission shall establish a schedule of the amount of bond to be maintained by each lessee.

X. Lease Assignments

All assignments of leases or interests therein shall be submitted to the Department. No assignment will be valid without the written consent of the lessor. The Commission shall establish a processing fee to be paid for each lease assignment.

XI. Monitoring of Production

The Department will continue to study and update methods of monitoring production on state leases to assure that the state is receiving just compensation.

XII. Nonmetallic Minerals Leasing Program – Annual Review

Staff will continue to evaluate and review the nonmetallic mineral leasing program. Market studies and sales analyses will be conducted by the Department in order that trends and patterns can be established as guidelines for policy and management decisions by the Commission and staff.

These assessments will be for the purpose of continued improvement in the leasing method and the overall leasing program on state-owned lands, to (1) assure that the state lease is competitive, (2) acquire and maintain expertise in the management of nonmetallic mineral development, and (3) provide that changing conditions are reflected in the overall nonmetallic mineral leasing program.

The Department shall provide to the Commission in January each year a report of the complete state leasing program activities for the preceding fiscal year which shall include, but not be limited to, (1) the number of leases granted, (2) relevant data obtained by the Department on nonmetallic mineral activities in Michigan, (3) a summary of the revenues generated and their ultimate disposition, (4) a summary and forecast of activities for the current fiscal year, and (5) a summary and assessment of any identified problems and any recommendation for changes in the leasing program.

The complete report will be made available to all interested parties and shall be on the regular printed agenda of the Commission. If there are any recommendations for changes in the leasing program as the result of this report, they will be acted upon no sooner than the following Commission meeting.

IF you need additional information or assistance, contact: Department of Natural Resources, Land and Mineral Services Division at 517-373-7663.